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Submitted by Mr. Boren from the Committee on interstate and foreign commerce.

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U.S. CONG. HOUSE. COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE.

DISCONTINUANCE OF LAND GRANT RATES FOR TRANSPORTATION OF GOVERNMENT TRAFFIC.

78TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 1408

DISCONTINUANCE OF LAND GRANT RATES FOR TRANSPORTATION OF GOVERNMENT TRAFFIC

MAY 2, 1944.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. BOREN, from the Committee on Interstate and Foreign Commerce, submitted the following

REPORT

[To accompany H. R. 4184]

The Committee on Interstate and Foreign Commerce, to whom was referred the bill (H. R. 4184) to amend section 321, title III, part II, Transportation Act of 1940, with respect to the movement of Government traffic, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Page 2, after line 20, insert the following new section:

SEC. 2. The amendment made by this Act shall take effect 90 days after the date of enactment of this Act.

Page 2, after line 20, and after the section inserted by the foregoing amendment, insert the following new section:

SEC. 3. The Interstate Commerce Commission, in the exercise of its power to prescribe just and reasonable rates, fares, and charges, shall give due consideration to the increased revenues which carriers will receive as a result of the enactment of this Act.

OBJECT OF THE BILL

Certain of our railroads, because of lands granted by the Government many years ago to aid in the construction of lines of road now owned by them, are under statutory obligation to transport certain specified classes of Government traffic over such land-grant lines at 50 percent of their established tariff charges for such transportation. While that statutory requirement applies to only 14,411 miles of railroad, the reduced charges for which it provides have been extended to many times that mileage as the result of so-called equalization agreements entered into with the Government by other railroads to enable them to handle Government traffic. The object of this bill is to

remove that compulsion so as to permit all railroads to collect their regular tariff charges on all Government traffic except as negotiations may result in lower charges under section 22 of the Interstate Commerce Act.

PRESENT LAW AND PROPOSED CHANGE

Section 321 (a) of the Transportation Act of 1940 embodies the general rule that the transportation of persons or property by a common carrier for the United States, or on its behalf, shall be at the full applicable commercial rates. This general rule is subject to the following exceptions:

(1) It is provided "that the foregoing provision shall not apply to the transportation of military or naval property of the United States moving for military or naval and not for civil use, or to the transportation of members of the military or naval forces of the United States (or for property of such members) when such members are traveling on official duty"; and

(2) It is provided that any carrier by railroad and the United States may enter into contracts for the transportation of the United States mail for less than the rates determned by the Interstate Commerce Commission as reasonable therefor.

(3) Under section 1 (7) of part I of the Interstate Commerce Act free transportation is permitted to certain persons, including representatives of charitable institutions, destitute and homeless persons, disabled veterans, and others; and

(4) Under section 22 of the Interstate Commerce Act, part I, transportation of property free or at reduced rates is permitted for the "United States, State, and municipal governments," and also "the transportation of persons for the United States Government free or at reduced rates."

The effect of the amendment proposed by the bill would be to eliminate only the first of the four exceptions enumerated above. In other words, it would remove the only compulsory exception to the general rule requiring the Government to pay "the full applicable commercial rates." It would not disturb the other exceptions, including that provided in section 22, which, among other things, permits the railroads voluntarily to grant free or reduced rate transportation to the United States, State, and municipal governments.

HISTORY OF LAND GRANT LEGISLATION

The report of this committee, No. 1910, Seventy-seventh Congress, second session, accompanying H. R. 6156, a bill similar in purpose to this bill, contains a statement of the history of land-grant legislation. As there shown, Congress, during the period 1850 to 1871, made grants of lands totaling about 130,000,000 acres in aid of the construction of about 21,500 miles of railroad located largely in the western part of the United States, but also to a limited extent in the South. All of this mileage, however, is not now subject to land-grant deductions.

Most of the Land Grant Acts contained provisions requiring certain specified concessions to the Government for transportation services performed for it. In some cases they required Government traffic to be transported without charge. More usually they followed

language used in earlier statutes granting lands for the construction of wagon roads and canals and required that the railroads, in whose aid the lands were granted, should be open at all times to the use of the Government for the transportation of its troops or property free of any toll or charge. That provision was construed by the Supreme Court in 1877 as contemplating merely the free use of the railroad tracks by the Government for the movement thereover of engines and cars operated by it or at its expense. In giving effect to that decision, the Court of Claims determined that the right of the Government to the free use of the tracks was worth 50 percent of the full transportation charge made by the railroad against ordinary shippers. As the result of subsequent legislation, that 50 percent basis of charge is the one now applicable on all railroads that are subject to land-grant deductions.

For the transportation of the mail the land-grant deductions, where applicable, were finally fixed by statute at 20 percent of the rates determined by the Interstate Commerce Commission as reasonable for such transportation.

In the Transportation Act of 1940, because of the enormous increase in recent years, and particularly during the years of depression, in the nonmilitary activities and traffic of the Government, Congress deemed it proper to make the land-grant reductions inapplicable, so far as concerns the transportation of property, to anything except "military or naval property of the United States moving for military or naval and not for civil use." At the same time, it eliminated the deductions entirely so far as concerns the transportation of mail, but made no change with respect to the transportation of "troops of the United States."

THE EQUITIES OF THE SITUATION

While, as has been stated, most of the Land Grant Acts contained requirements in one form or another for reduced charges on Government traffic, such requirements by no means represented either the primary obligation which they imposed upon the land-grant railroads or the major consideration moving the Government to make the grants. The primary obligation assumed by the railroads was to construct the proposed lines at a cost many times the value of the granted lands. The usual grant was of 6,400 acres per mile of line (each alternate section in a strip extending back for 10 miles on each side of the railroad), but the acreage actually patented to the railroads averaged considerably less than that. According to the report made by Joseph B. Eastman, as Federal Coordinator of Transportation, the average value of all granted lands at the time of the grants was about 97 cents per acre. Even back in those days it took considerably more than $6,200 or $6,500 to build a mile of railroad.

The Government, on the other hand, while granting much land, retained very much more. The lands retained by it were enhanced in value many times over as the result of the building of the railroads. However, it was from the settlement of the territory, the general increase in wealth, and the strengthening of the Nation that the Government expected, and actually realized, its major reward for these grants of land.

At the time the requirements for reduced charges for the transportation of troops and property of the United States were written

into the Land Grant Acts there was but a light movement of either class of traffic and no one could have anticipated any very substantial increase therein in the light of the views then prevailing as to the limited field in which our Constitution permitted activities by our Federal Government. As this committee pointed out in its report on H. R. 6156, referred to above, the annual expense of the whole Federal Government, including the Postal Service, for the fiscal year 1850 was only $44,756,737. Viewed in the light of what was then known or could reasonably be anticipated by either party to the transaction, the reduced-rate provisions contained in the Land Grant Acts could not have been regarded either as being of much value to the Government or as imposing any serious burden upon the railroads. They have actually turned out to the contrary, however, in each respect.

Federal Coordinator Eastman, in his study, to which reference has already been made, estimated that up to 1938 rate reductions received by the Government on account of these grants amounted to something like $155,000,000. Evidence presented at the hearing on the present bill shows that the deductions have increased tremendously since the period covered by Mr. Eastman's study. The Board of Investigation and Research, established pursuant to section 301, part I, title III, Transportation Act of 1940, in a study of the same subject, has determined that up to June 30, 1942, the deductions aggregated $340,783,000. It is estimated that at the end of that period the deductions, although then applicable only on troops and military or naval property of the United States, were running at the rate of at least $18,500,000 per month. As the trend was still upward at that time, it thought it entirely probable that the monthly rate during the fiscal year beginning July 1, 1942, would average as much as $20,000,000. If the Board was correct in that conclusion, then, during the more than 20 months that have passed since the end of the period covered by its study, the Government has exacted from the railroads an additional $400,000,000 or more for these lands which it may well have thought originally it was giving away. It thus seems clear that from the land-grant deductions alone the Government has received by this time an amount far beyond anything that has ever been suggested by anyone as the value of the granted lands.

It is thus quite evident that the Government has been reimbursed in many ways and many times over for everything that passed from it to the railroads under these land-grant contracts. It is for that reason that the committee is of the view that as a matter of simple justice to the railroads they should be relieved of all further obligation thereunder. At a time when it is insisting upon its right to compel its citizens to submit to renegotiation of their contracts with it, lest because of changed conditions they realize excessive profits therefrom, the Government should not hesitate to apply the same principle against itself.

EFFECT ON OTHER CARRIERS

The land-grant roads are by no means the only carriers that suffer from these land-grant deductions. Representatives of the forwarders have called attention to recent rulings of the Comptroller General holding that the deductions also apply against forwarders when utilizing the services of the land-grant lines in handling Government shipments. Furthermore, the motor carriers, as well as all other railroads operating in land-grant territory, have found it necessary in order to be in a position to handle any of this Government traffic to enter into agreements with the Government under which they agree to apply to Government shipments moving over their lines the lowest net land-grant charges available to the Government via any route between the same points.

To illustrate the operation of these equalization agreements, one of the witnesses referred to the situation with respect to a shipment by the Government from Chicago to San Francisco. A normal, workable route between these points, or what is commonly known as a service route, which involves some land-grant mileage, would be via the Rock Island from Chicago to Council Bluffs, Iowa, the Union Pacific to Ogden, Utah, and the Southern Pacific to San Francisco. The distance via that route is 2,273 miles. If there were no equalization agreement the charges on a Government shipment moving via that route and entitled to the land-grant deductions would be 94.73 percent of those applicable on a similar commercial shipment. Under the equalization agreements, however, the charges actually paid by the Government on such a shipment from Chicago to San Francisco, regardless of its actual route of movement, would be only 53.52 percent of those applying on commercial traffic. That is the percentage which is available via a route extending from Chicago to La Salle, Ill., via the Rock Island, thence to Le Mars, Iowa, via the Illinois Central, thence Chicago, St. Paul, Minneapolis & Omaha to St. Paul, thence Northern Pacific to Superior, Wis., thence Northern Pacific to Portland, Oreg., and thence Southern Pacific to San Francisco. The distance via that route is 3,708 miles, 1,435 miles or 63 percent longer than via the normal service route.

Other witnesses gave numerous illustrations of the extent to which the Government makes use of circuitous and utterly impractical routes in computing the charges claimed by it under the equalization agreements. In one instance, involving a shipment that actually moved over a single line from Sheffield, Ala., to Corinth, Miss., a distance of only 54 miles, the Government insisted upon land-grant deductions based on a roundabout route 484 miles in length and involving numerous lines of railroad. While such wasteful routes are not actually used by it in the routing of its traffic, they are the routes which it presumably would use in the absence of the equalization agreements, since Government officers regard themselves as under the legal duty to route all traffic in such way as to secure for the Government the lowest available transportation charges.

Illustrations of this sort not only serve to emphasize the fact that the routes used by the Government in determining the charges on shipments on which it claims to be entitled to land-grant deductions are frequently quite circuitous as compared either with the actual route of movement or any normal route of movement, but they also serve to emphasize other important points connected with these equalization agreements. One is that these agreements have played a vital part in preventing a collapse of our transportation system under the unprecedented load that has been placed upon it by the war.

It was explained that at the time the equalization agreements were entered into the railroads having little or no land-grant mileage were in a situation where they could handle substantial additional traffic

without a proportionate increase in their operating expenses. They were operating their trains ordinarily at less than maximum capacity and could put on additional cars at little added expense. By entering into the equalization agreements they were in a position to obtain at least a part of the relatively small volume of traffic that was then being shipped by the Government. Under present conditions, however, the volume of Government traffic has increased so enormously that participation therein has come to be rather a trainload proposition than merely a matter of obtaining one or two additional carloads to add to trains that would otherwise be operated anyway. For the railroads to withdraw from the equalization agreements at this time, however, would be disastrous in its effect, in view of the policy of the Government to route its traffic so as to secure the benefit of the lowest available charges. It would result in the land-grant lines being burdened with a volume of traffic far beyond thier ability to handle, thus causing a complete tie-up of Government traffic and ultimately a break-down of our entire transportation system.

ADDED CLERICAL WORK

But, while unquestionably having the effect of eliminating much unduly circuitous and hence wasteful transportation, at the same time these equalization agreements are responsible for a great waste of manpower on the part both of the railroads and the Government. That is because of the extent to which they increase the difficulty of determining the land-grant deduction to which any Government shipment is properly entitled.

If each shipment were entitled only to the deduction applicable via its actual route of movement the problem faced by the delivering line in determining the amount for which to bill the Government thereon would be, or at least in the course of time would become, relatively simple. The problem actually presented by the equalization agreements, however, presents unending difficulties, involving as it does the checking of all possible routes to determine the one which carries the maximum deductions. It adds tremendously to the personnel requirements of both the railroads and the General Accounting Office. Speaking of the quality of personnel required for this type of work, the Comptroller General states in his report for 1943:

> * * * Such personnel is not now available, nor has it been available for some time past and, in view of the volume of work presented in connection with the audit of transportation vouchers and the settlement of transportation claims, there has been undertaken a training program, which, while eminently satisfactory on the basis of results presently obtained, will not produce personnel qualified to handle the more difficult phases of transportation matters for some time to come. Since November 1942, approximately 300 employees, all without any prior experience in passenger or freight transportation work, have completed preliminary instruction courses. The present experienced rate personnel cannot possibly dispose of the work load for freight and passenger transportation matters but, with the assistance of the employees undergoing training, in addition to the possibility that some experienced rate personnel may be recruited, it is believed that recapture of overpayments to common carriers will be accelerated.

UNCERTAINTIES OF ACCOUNTING AND TAXATION

The reference in the foregoing quotation to "recapture of overpayments to common carriers" calls attention to another problem incident to land-grant deductions which was dealt with at considerable length in testimony before the committee. Claimed overpayments by the Government to the carriers in the settlement of bills for transportation services may be based on various grounds, including differences in the interpretation of tariffs, but more generally they result where a carrier in billing the Government either allows less for land grant deductions on a particular shipment than the General Accounting Office finds to be applicable or allows no land-grant deductions on a shipment which it regards as not entitled thereto but as to which the General Accounting Office when it comes finally to audit the bill reaches a contrary conclusion.

Under present practice, a bill for transportation charges is paid by the Government department involved without prior audit but subject to later audit by the General Accounting Office. Any overpayment found by that Office, if not voluntarily refunded by the billing carrier, is recovered by deducting the amount thereof from any subsequent bill or bills tendered by the same carrier for other transportation services. In the case of a deduction of that sort the billing line, which in all cases is the destination line, must make a readjustment of its accounts with all participating carriers to whom it has credited and paid over their portions of the revenues originally collected.

Because of the difficulty involved in determining the proper charges to be assessed under the equalization agreements, it is obvious that even where admittedly entitled to the land-grant basis of charges Government traffic imposes a rather serious billing and accounting problem on the railroads. When it comes to traffic as to which there is a difference of view between the railroads and the Government in that regard, the problem becomes far more serious. Such differences of view exist with respect to a substantial part of the enormous volume of Government traffic now moving. They exist, for example, with respect to so-called lend-lease shipments of such articles as food, clothing, machinery, farm supplies, farm products, building materials, etc., consigned to foreign governments, presumably in many cases for civilian use. Other important items of traffic with respect to which such differences have arisen are material for use in the construction of cargo vessels by the Maritime Commission; raw materials, including coal, shipped to ordnance plants; materials for use in the construction of additional locks in the Panama Canal, and road-building materials and equipment for use in the construction of the Alcan Highway and highways in Latin-American countries.

On shipments of this disputed character the railroads have been billing the Government on the basis of their regular tariff charges. Different Government departments have generally paid such bills as rendered, passing the vouchers to the General Accounting Office for audit. At the rate of progress now being made by the General Accounting Office in auditing such bills it may easily be 5 years or more before those now being paid are finally audited. The unfortunate position in which this places the carriers is obvious. In the case of a disallowance of any of its bills in any amount by the General Accounting Office, a railroad has no recourse but to resort to court action. Such suits usually require many years before final determination.

The uncertainties arising from this situation must necessarily confuse almost every financial problem with which railroad management is now confronted. With income taxes taking as much as 85½

cents of each additional dollar of income in the case of railroads which are in the excess-profits class, the possible consequences to a railroad of taking into account charges collected by it on any Government shipment figured on the basis of full commercial rates, with the probability of having a large part of the amount so collected taken away from it by the Government years later and at a time when it is reasonable to anticipate that the tax rates will be much lower, are not pleasant ones to face. The record shows that the railroads which will probably be in the excess-profits class for the present calendar year include most of the principal lines of the country, with gross revenues last year representing about 86 percent of the gross revenues of all class I roads.

To illustrate the seriousness of the problem with which the railroads are confronted in this connection, it is sufficient to refer to the testimony of the trustee of one of the large railroads now in bankruptcy. He stated that in 1943 the revenues of his road had been reduced $10,500,000 as the result of the application of land-grant deductions, and that in addition to that his road had set up a reserve of $3,500,000 to cover possible subsequent deductions on traffic moving that same year with respect to which there is a dispute between the railroads and the General Accounting Office as to whether it falls within the description of "military or naval property moving for military or naval and not for civil use."

DISCRIMINATIONS AMONG SHIPPERS

Much that has already been stated points quite strongly to a real public interest in the elimination of these land-grant deductions. The public has a much more vital interest in the matter, however, than is indicated by anything to which reference has thus far been made.

One primary purpose underlying the Interstate Commerce Act that has persisted in spite of all amendments is the prevention of abuses in the way of secret rates and rebates and other forms of rate discrimination between the individuals, communities, and different descriptions of traffic. Operating under that law the Interstate Commerce Commission has endeavored to see that the rate structures provided by our railroads are fair and reasonable and free from undue preference and prejudice. All rates are required to be published in tariffs on file with the Commission and posted for the information of all shippers. They have been established on a basis intended to permit fair competition between shippers located at different producing points. The man requiring the greater service, of course, usually pays a somewhat higher rate, but the rates are sought to be so adjusted as to encourage free movement and wide distribution of all commodities.

That the effect of the land-grant statutes and the deductions provided for thereunder is to bring about unjust discriminations of the very sort the Interstate Commerce Act was intended to prevent, there can be no question. They take away from a shipper the advantages to which he is properly entitled because of his geographical location. They give one shipper, through the mere accident of being located on a land-grant line or at a point from which a land-grant route is available, a marked preference and advantage over a competitor not so located, or located at a point from which a lesser amount of land-grant mileage is available in reaching the same destination.

Ordinarily, the Government makes its purchases under competitive bidding. It requires that all bids be made on a delivered basis, with the right in the Government to take title to the shipment at point of origin, pay the freight charges on the land-grant basis, and deduct the full commercial charges from the invoice in settling with the vendor. It evaluates all bids on the basis of the net delivered cost to it after taking advantage of the land-grant deductions.

In the case of an ordinary commercial transaction, a shipper is in a position to make an intelligent bid on a delivered basis. He knows both his own transportation costs and those of his competitors because the commercial rates are required to be published and filed with the Commission. In bidding on such a proposal submitted by the Government, he must proceed largely in the dark. He frequently does not even know what the freight charges will be from his own plant, much less from the plant of any of his competitors, on shipments made by the Government which are entitled to the land-grant deductions. In fact, quite frequently no one knows what the land-grant deductions on a given shipment are to be until they have been determined by the General Accounting Office.

The result is that one of the necessary consequences of the application of these land-grant deductions is, in practical effect, to perpetuate one of the evils which the Interstate Commerce Act was designed to remove, namely, the evil of secret rates and rebates that result in a situation under which each shipper is in the dark as to the rates accorded his competitors. That, however, is by no means the only form of discrimination brought about by the application of land-grant deductions.

Even where the amount of land-grant deductions can be definitely and readily ascertained, they result in pronounced discriminations between individuals, places, and commodities. It resolves itself into the anomalous situation in many instances where a shipper who gets the larger amount of service and commercially would pay a higher rate, insofar as Government traffic is concerned, gets the benefit of a transportation charge from the more remote point which is less than is applicable from a much nearer competing point. In other instances commercial differentials are greatly reduced in favor of a point involving a longer haul to the disadvantage of a point much nearer the destination. It means that shippers, in order to obtain Government traffic, must submit their bids on a basis quite different from that used by them in connection with commercial transactions.

As illustrative of discriminations resulting from the application of the land-grant deductions, we cite the situation with respect to the rates on lumber from Klamath Falls, Oreg., and Westwood, Calif., to Chicago. The distance from Klamath Falls is 2,263 miles and the commercial rate is 75½ cents. The distance from Westwood to Chicago is 2,118 miles and the commercial rate 72 cents. In other words, on commercial shipments the California mill has a freight rate advantage over the Oregon mill of 3½ cents per 100 pounds. In the case of lumber bought by the Army and moving for military or naval and not for civil use, the net cash charge from Klamath Falls to Chicago would be 42.913 cents per 100 pounds, whereas on a similar shipment from Westwood the net charge would be 58.913 cents. The charge from

Westwood, instead of being 3½ cents less than from Klamath Falls, becomes 16 cents higher after the deduction of the land grant, thus changing the relationship in those charges to the disadvantage of the California shipper to the extent of 19½ cents per 100 pounds.

Another illustration presented was with respect to the charges on iron and steel moving to Portland, Oreg., from Chicago and Minnequa, Colo., both important manufacturing points. The distance to Portland from Chicago is 2,169 miles and the commercial rate is $1.10. The distance from Minnequa to Portland is 1,306 miles and the rate is 85 cents. On commercial shipments Minnequa pays for its lesser haul 25 cents less than Chicago. On shipments that are subject to the land-grant deductions the net cash charge from Chicago becomes 56.01 cents as compared with 62.855 cents for the much shorter distance from Minnequa. In other words, while commercially Minnequa has an advantage of 25 cents per 100 pounds for its 863-mile lesser haul, this advantage is converted into a disadvantage of 6.845 cents per 100 pounds by the application of the land-grant deduction. Minnequa is thus deprived of the advantage which should properly accrue to it because of its superior geographical location.

It is thus clear that the effect of the Land Grant Acts is to violate the philosophy which underlies the Interstate Commerce Act and practically every substantive provision contained therein. In many instances they result in rates that are unreasonably low when tested by the provisions of section 1. They result in charging the Government as a shipper rates different from those charged other shippers between the same points of origin and destination for identical services and thus violate the principle of section 2. They result, as has already been shown, in innumerable preferences and prejudices as between individuals, communities and different descriptions of traffic, thus violating the principle of section 3. In many instances they result in a lower charge for a longer than for a shorter distance over the same route in the same direction, resulting in a violation of the principle of the long- and short-haul clause of section 4 of the act. They also obviously violate the fundamental principle forming the basis of section 6 of the act which requires that all rates be stated in tariffs on file with the Interstate Commerce Commission and posted for the information of the public, with the result as previously stated, that shippers are competing in the dark as to what charges are actually to be assessed on Government traffic for which they compete.

Aside from specific preferences and prejudices which they bring about, there is, of course, another important reason why these land-grant deductions are of vital concern to all shippers, and that is because of the effect which they must inevitably have upon the general rate level. Obviously, the railroads cannot continue in operation without adequate revenues. To the extent that their necessary revenues are depleted by reductions claimed by the Government under the Land Grant Acts they must be made up by corresponding increases in the revenues obtained from commercial traffic.

It is thus easy to understand the virtually unanimous support which this bill has from regulatory bodies and various organizations representing the farmers and the principal shippers located throughout the country. Among those urging its enactment, in addition to the railroads and innumerable individuals and industrial concerns, are the Interstate Commerce Commission; the Office of Defense Transportation; the National Association of Railroad and Utilities Commissioners; the Mountain-Pacific States Conference of Public Service Commissions; various individual State regulatory commissions; numerous farm organizations; the National Industrial Traffic League; the National Association of Shippers' Advisory Boards; the United States Chamber of Commerce and chambers of commerce and traffic associations of numerous cities and States; the 21 national railway labor organizations; the American Short Line Railroad Association; the National Trucking Associations; and the Freight Forwarders Institute.

SUGGESTIONS CONSIDERED

It has been suggested that as a condition to the surrender by the Government of its right to these land-grant deductions the land-grant railroads should be required to reconvey to the United States any of the granted lands still held by them. Aside from the fact that, as previously stated herein, the Government has already been more than fully reimbursed for the lands granted by it, this suggestion has been shown by the testimony to be neither equitable nor practicable.

A large portion of the remaining land-grant lands are held by roads such as the Union Pacific and Central Pacific whose grants contained no requirement for reduced charges on Government traffic. As to the theory on which those roads should be required to give up such lands the committee has heard no suggestion.

Furthermore, just as the burden of the land-grant deductions is borne by many carriers other than those that received grants of land from the Government, the benefits from the elimination of the deductions would accrue to many carriers, including motor carriers and forwarders, who received no land grants and would be required to surrender no lands if such a condition were imposed. Also among the land-grant roads themselves will be found many which have little or no granted lands remaining to them. The burden of such a condition would thus fall most unevenly even upon the land-grant lines.

As to the practical aspects of the matter, it was shown that many of the granted lands still held by land-grant lines have been pledged under mortgages securing issues of long-term bonds. In such cases, the owning railroad is not free to make a conveyance of its lands.

While enactment of the legislation will increase the freight bill of the Government, it will take little, if any, more money from the people of the country. Aside from the fact already mentioned that any resulting improvement in the earnings of the carriers must inevitably work to the benefit of all shippers either by ultimate reductions in the general rate level or by preventing increases therein that would otherwise be necessary, there is the added fact that the major part of any increased revenues resulting to the railroads from increased charges on Government traffic will have to be paid back by them to the Government in the form of taxes.

AMENDMENTS PROPOSED TO THE BILL BY THE COMMITTEE

The first committee amendment to the bill would postpone, until 90 days after the date of enactment of the legislation, the taking effect of the amendment which the bill proposes to existing law. This postponement is deemed desirable in order to give time for the Gov-

ernment and the carriers to effect necessary readjustments, and to avoid the confusion which might result from the immediate taking effect of the legislation.

The second committee amendment would require the Interstate Commerce Commission, in the exercise of its power to prescribe just and reasonable rates, fares, and charges, to give due consideration to the increased revenues which carriers will receive as a result of the discontinuance of land-grant reductions. As stated elsewhere in this report, such reductions now have to be made up through revenues obtained from commercial traffic. Shippers generally should benefit from this legislation through a lowering of the general rate level, and this committee amendment, by the specific direction it gives to the Commission, constitutes a statutory recognition of that fact.

CONCLUSION AND RECOMMENDATION

It is the conclusion of the committee that through the years the Government has gotten all and more than it bargained for in the original land-grant transaction. A statement issued by the General Land Office in 1941 summarized the situation by saying that in return for an "empire of land" the Government got a transportation system that "won the West and established a Nation stretching from the Atlantic to the Pacific Ocean."

Since that time, however, the Government has received as further and additional consideration on this deal land-grant deductions amounting to at least $500,000,000. The committee is of the opinion that the time has come for the Government to close its books on this transaction.

This conclusion is strengthened by the committee's examination of the actual working in practice of the land-grant deduction system. It produces results inconsistent with our transportation policies. Businessmen must deal in the dark as to the rates paid by their competitors where Government contracts are involved, while there is discrimination in rates as among those shippers in position to take advantage of land-grant deductions and those not so situated.

It is, therefore, the conclusion and recommendation of the committee that this bill to eliminate land-grant deductions should pass. Simple justice demands it; the public interest requires it.

Among the desirable results to be expected from the enactment of the bill are the following:

It will remove the discriminations under which industries now labor in competing for sales to the Government by placing them, so far as freight rates are concerned, in the same position with respect to such sales as they are with respect to transactions with private individuals and concerns.

It will assure all shippers, agricultural and industrial, that their freight bills do not contain hidden taxes to make up for deficiencies in the charges paid by the Government on its traffic.

It will result in relieving both the Government and the railroads of large expense by removing a source of unending controversy and litigation between them and by eliminating the necessity for an inordinate amount of accounting and other clerical work in connection with Government traffic.

It will relieve the land-grant railroads of the injustice of being required to continue to make payments on a debt that was long since extinguished.

It will relieve carriers that received none of the granted lands, including the motor carriers and water carriers as well as the great majority of the railroads, from the injustice of being compelled to reduce their charges on Government traffic in order to meet the competition of the land-grant lines.

It will remove from the forwarders, which received no land grants, the threat of being required to submit to the land-grant deductions on Government traffic handled by them over land-grant lines.

It will relieve the railroads of uncertainties as to their present revenues and thus enable them to plan more intelligently to meet the inevitable uncertainties of the future.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, existing law in which no change is proposed is shown in roman):

SEC. 321. (a) Notwithstanding any other provision of law, but subject to the provisions of sections 1 (7) and 22 of the Interstate Commerce Act, as amended, the full applicable commercial rates, fares, or charges shall be paid for transportation by any common carrier subject to such act of any persons or property for the United States, or on its behalf, [except that the foregoing provision shall not apply to the transportation of military or naval property of the United States moving for military or naval and not for civil use or to the transportation of members of the military or naval forces of the United States (or of property of such members) when such members are traveling on official duty;] and the rate determined by the Interstate Commerce Commission as reasonable therefor shall be paid for the transportation by railroad of the United States mail: *Provided, however*, That any carrier by railroad and the United States may enter into contracts for the transportation of the United States mail for less than such rate: *Provided further*, That section 3709, Revised Statutes (U. S. C., 1934 edition, title 41, sec. 5), shall not hereafter be construed as requiring advertising for bids in connection with the procurement of transportation services when the services required can be procured from any common carrier lawfully operating in the territory where such services are to be performed.

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END OF
TITLE